

VZCZCXRO3889
RR RUEHAST RUEHBI RUEHCI RUEHDBU RUEHLH RUEHNEH RUEHPW
DE RUEHNE #2554/01 3571134
ZNR UUUUU ZZH
R 231134Z DEC 09
FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC 9009
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RHEHAAA/WHITE HOUSE WASHDC
RHEHNSC/NSC WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHDC

UNCLAS SECTION 01 OF 02 NEW DELHI 002554

SENSITIVE
SIPDIS

USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT PASS TO USTR MDELANEY/CLILIENTFELD/AADLER/JGRIER
TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT
USDA PASS FAS/OCRA/RADLER/BEAN/FERUS
STATE for SCA/INSB, EEB/TPP, EEB/MTA

E.O. 12958: N/A

TAGS: [EIND](#) [ETRD](#) [ECON](#) [EINV](#) [IN](#)

SUBJECT: Auto Industry, GOI on Standards and Remanufacturing

REF: NEW DELHI 2445

¶1. (SBU) Summary: On December 15, Dilip Chenoy, Director General of the Society of Indian Automobile Manufacturers (SIAM), told Econoff and Econ Specialist that he had drafted IndiaQs newly mandatory tire standards (reftel) and the standards would not affect any U.S. companies. He expressed support for the U.S. position on international automotive standards, indicating GOI officials were more inclined to agree with the EU position. Commerce Joint Secretary Amendra Khatua told Econoff on December 21 that the GOI in fact planned to propose another alternative text. Chenoy said India is not ready to define remanufactured products and he did not believe the products are "as good as new," insisting that Caterpillar is the only U.S. company in the automotive sector that cares about this definition. Chenoy and Khatua both indicated that the GOI is planning to wait until a remanufacturing definition is established as part of the World Trade Organization (WTO) Doha Round before considering implementing a definition in India. Khatua said it would then be implemented only in certain sectors at first. He did acknowledge that entrenched opposition to remanufacturing stems from companiesQ efforts to keep out lower-priced imports. SIAM is clearly the key Indian constituency on remanufacturing, but overcoming its strong opposition will be a hard won battle. End Summary.

Mandatory Tire Standards, WTO Automotive Standards

¶2. (SBU) Chenoy defended the new tire standards policy, saying that he had drafted it himself to ensure that all of the necessary exclusions were included. He indicated that he had managed to delay the implementation for two and one-half years through drawn out consultations with the GOI, and now the standards only apply to the "aftermarket" (i.e., replacement tires, not those placed on new vehicles). Chenoy pointed to an exception in the November 19 GOI notification for tires sold to "Original Equipment Manufacturers" (OEMs), explaining that U.S. companies only export tires to India for use in production of new vehicles. He opined that Goodyear was the only U.S. company that might want to sell to the aftermarket, but the company is producing domestically and had agreed with the final version of the new tire standards. Econoff expressed USG and U.S. company concerns about the limitations on accredited testing labs and uncertainty about when testing will be required. But Chenoy insisted U.S. companies will not need to test their tires, offering to explain this to any interested USG officials.

¶3. (SBU) Chenoy said the domestic tire manufacturers, which had pushed for stricter standards, had boycotted a session that he held to discuss the standards. They were unhappy that he had watered

them down. But Chenoy said the standards still deal with the main problem, which is the aftermarket, where the majority of low-quality tires are sold in India. He said the law is aimed specifically at imports from Thailand and China. Chenoy also explained that Indian industry supports the U.S. position on automotive standards -- including a 1998 text submitted to the WTO Technical Barriers to Trade (TBT) committee, while GOI officials were more inclined to agree with the EU position, based on a 1958 text. Commerce Joint Secretary Amendra Khatua told Econoff on December 21 that the GOI in fact planned to propose an alternative text to the 1958 version.

Remanufacturing Definition: Waiting for Doha Round

14. (SBU) Chenoy said the main problem with allowing trade in remanufactured ("Reman") goods in India is that the system is different from that which prevails in the United States: in the U.S. one self certifies, but in India homologation (i.e., granting of approval by an official authority) is practiced. When the GOI certifies a product, the company becomes free from liability. There is no one to test and certify Reman products in India, he added. Chenoy said no other countries use Reman definition and all but the United States are against Reman trade. Noting that the WTO had already established a Reman work plan, he said it would be necessary for an international organization, such as the WTO, to come up with such a definition, which India would adopt as part of the Doha Round. Chenoy said Caterpillar is the only U.S. company in the automotive industry that really cares about this issue; General Motors, Ford, and Chrysler do not use Reman. He expressed a firm belief that there is no such thing as "good as new," as companies describe their Reman products. All products in India that are

NEW DELHI 00002554 002 OF 002

second hand should be licensed, so that used equipment is not dumped in India. Chenoy advised that Caterpillar stop insisting on a Reman definition and just call its products by another name. He said that a lot of companies in India do Reman, but they do not call it that. When Econoff asked whether a tour of Reman facilities in the United States would be useful to SIAM, Chenoy indicated that he and Senior Director Sugato Sen (who joined the meeting at the end) had participated in innumerable events on Reman and had all of the information that they needed.

15. (SBU) Commerce Joint Secretary Amendra Khatua told Econoff on December 21 that the Ministry of Heavy Industries has nothing to do with India's remanufacturing policy. [Note: Minister of State for Heavy Industries Arun Yadav indicated, during a speech at a September 18 Reman seminar, that his ministry was working on a remanufacturing policy that would take four-six months. But Ministry of Heavy Industries Joint Secretary Ambuj Sharma told Econoffs on November 20 that the Ministry is not actually developing a reman strategy. He maintained that Yadav's comments were taken out of context, saying the Minister really meant to point out that India already does a lot of reman since it happens naturally here. Sharma said the Commerce Ministry should be responsible for the overall strategy, as the Ministry of Heavy Industries is only responsible for that which relates to the auto industry (which he acknowledged is the industry most opposed to reman). Sharma did say his Ministry is working on an "end of life" policy for the automotive sector, which would start with a pilot project in Chennai. End note.]

16. (SBU) Khatua said that the Commerce Ministry had proposed to the WTO that each country do its own Reman work plan, which would be implemented after a Reman definition is established in the Doha Round. The GOI plans to only apply the definition to certain sectors, and then eventually the more reticent sectors (like automobiles) would find it impossible to continue opposing the definition for long. Khatua said certain Indian trade associations are militant, as they simply do not want to face competition from lower-priced Reman imports. Econoff tried to clarify, saying that it sounded like their plan was to introduce a definition for sectors that are not the most important ones to the United States, but Khatua brushed that idea aside. He said the GOI had already begun stakeholders meetings on the reman work plan in Bangalore, Chennai, and elsewhere. When Econoff also asked Khatua about a tour of U.S.

Reman facilities, he too indicated that GOI officials already understand the importance of remanufacturing, adding that it was the private sector that could benefit from such a visit to the United States. Econoff passed Khatua a flyer on a March 2-4 Reman conference in England (<http://www.remanufacturing.org.uk/pdf/events/0e27.pdf>); Khatua did not express much interest.

Comment

17. (SBU) It is quite clear that SIAM will not relent easily on remanufacturing, and the GOI listens carefully to this powerful organization. Khatua's suggestion that a sector-specific approach towards Reman may work to incrementally soften the auto sector's stiff opposition, but it would not be a speedy process, especially considering the current plan to wait for implementation until after a Reman definition is established in the Doha Round. The Ministry of Heavy Industries should play some role in developing a domestic Reman policy, and it is encouraging that the ministry is working on an end-of-life policy for the automotive sector. Unlike Chenoy and Khatua, Joint Secretary Sharma actually expressed some interest in touring Reman facilities in the United States. Perhaps this is one group that the USG could win over, but SIAM is obviously the key player. Post will continue to press SIAM and the GOI to develop a Reman definition.

ROEMER